BUILD-TO-SUIT LEASE

THIS BUILD-TO-SUIT LEASE is entered into between the COUNTY OF SAN LUIS OBISPO, hereinafter referred to as "County" and individuals, James Saunders and Debra Saunders, dba J&D Properties, hereinafter collectively referred to as, "Lessor," and will replace and supersede all previous agreements between County and Lessor, with respect to the Premises hereinafter described.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

- 1. Premises: Lessor hereby leases to County, and County hereby hires and takes from Lessor, for the term, at the rental and upon the conditions hereinafter set forth, those certain Premises hereinafter referred to as "Premises," and more particularly described as approximately 12,000 square feet of improved office space, as depicted on Exhibit "A" attached hereto, to be constructed by Lessor at 810 4th Street, in the City of Paso Robles, California adjacent to an existing building currently occupied by County pursuant to a lease with Lessor dated April 16, 2011 ("2011 Lease").
- 2. <u>Quiet Enjoyment</u>: Lessor agrees to and shall on the commencement date of the term of this Lease hereinafter set forth, place County in quiet possession of the leased Premises and shall secure to County the quiet possession hereof against all persons lawfully claiming the same during the entire term and any renewals or extensions thereof.
- 3. <u>Term</u>: Subject to the provisions of Paragraph 35, below, the term of this Lease shall be for a period of twenty (20) years, commencing on the earliest of the following dates:
 - (i) (the date on which County takes possession of all or a portion of the Premises;
- (ii) the date on which the Premises would have been Ready for Delivery (defined in Exhibit B) but for County Delays (defined in Exhibit B); or
 - (iii) the date on which the Building is Ready for Delivery.

<u>Commencement Date Memorandum</u>. On the Commencement Date, County will execute and deliver to Landlord a memorandum of the Commencement Date in the form of attached Exhibit C ("Commencement Date Memorandum"). The Commencement Date Memorandum must acknowledge:

(i) the Commencement Date;

- (ii) County's acceptance of the Premises.
- 4. Option: County shall, at its option, have the right to three (3) five year successive extensions or renewals of this Lease to be exercised separately, each such extension to be for a period of five (5) years and to be on the same covenants, terms, and conditions as those of this Lease, provided, however, that if County is in default on the date the extended term is to commence, the extended term shall not commence, and this Lease shall expire at the end of the then-current term. County shall give Lessor not less than ninety (90) days advance written notice by certified or registered mail, return receipt requested, of County's intention **not** to extend this Lease prior to its expiration or prior to the expiration of any extended term of period with the exception of the last extension period.
- 5. Rental: Beginning upon completion of improvements as specified in Exhibit "B", whichever is later, County shall pay Lessor as rent for the Premises the sum of Twenty-Nine Thousand Four Hundred Dollars (\$29,400.00) per month, payable in advance on the first day of each month, without deduction, offset or abatement except as provided for in Paragraphs 11, 19 and 20. If possession is taken prior to or later than the first day of the month, rental amounts shall be prorated. All rental payments shall be sent to the following address: J&D Properties, 7310 North River Road, Paso Robles, California 93446. Beginning on the first anniversary of the Commencement Date, and for the next four (4) years of County's occupancy, the rental rate shall increase as follows:

\$30,600 Gross per month (\$2.55 psf) months 13-24 \$31,800 Gross per month (\$2.65 psf) months 25-36 \$33,000 Gross per month (\$2.75 psf) months 37-48 \$34,200 Gross per month (\$2.85 psf) months 49-60

Beginning on the sixth (6^{th}) year (Month 61) of occupancy, and every subsequent annual anniversary date thereafter, the preceding year's rent shall be adjusted upward by three percent (3%).

6. <u>Use of Leased Premises</u>: The Premises shall be used for conducting and operating therein the business of the County of San Luis Obispo. The Department of Social Services is the primary occupant. There is public visitation to the Premises for County programs. Lessor shall be solely responsible for the procurement of any necessary Conditional Use Permits or zoning changes that may be necessary for County occupancy at the Premises.

Cancellation of Insurance

County shall not do, bring, or keep anything in or about the Premises that will cause a cancellation of any insurance covering the Premises.

Compliance with Laws

County shall comply with all applicable laws concerning the Premises or County's use of the Premises.

Waste; Nuisance; Damage

County shall not use the Premises in any manner that will constitute waste, or nuisance to owners or occupants of adjacent properties. County shall not do anything on the Premises that will cause damage to the Premises or building in which the Premises are located.

7. Taxes and Utilities: The parties acknowledge that County will be the sole occupant within the building in which the Premises are located and that said building is separately metered for utility services. Lessor shall pay for any water, gas and electric services to locations outside of the building in which the Premises are located, including landscaping and parking areas. County shall pay during the term of this Lease and any extensions or renewals thereof all telephone and internet services and any separately metered utilities, including trash, electric, sewer and water for the building in which the Premises are located, or used in areas occupied and used exclusively by County during its occupation of the Premises.

Any and all fire suppression systems, any existing fire detection systems, and the elevator emergency system shall be maintained by Lessor according to requirements of the Paso Robles City Fire Department, but County shall be the first point of contact for any emergency or alarm systems, and shall provide contact information (responsible individual and telephone number) to the Fire Department and any alarm companies for that purpose. Lessor shall pay for all costs associated with such emergency systems, including utilities and telephone lines. Lessor will pay all real property taxes and any assessments, including special assessments, levied or assessed on the land and improvements thereon of which the leased Premises is a part.

8. Insurance:

A. Fire Insurance.

1) <u>Lessor</u>: Lessor's policy as to the building and Premises shall be primary. Lessor at its cost shall maintain during the term of this Lease on the building and Premises a policy or policies of standard fire and extended coverage insurance to the extent of at least ninety (90%) percent of full replacement value thereof.

2) <u>County</u>: County is self-insured. County at its cost shall procure and maintain during the term of this Lease, a policy of fire insurance on County's personal property including improvements paid for by the County, within the leased Premises.

B. Liability Insurance.

- 1) Lessor: Lessor agrees to maintain in force throughout the term hereof, at Lessor's sole cost and expense, commercial general liability insurance. This insurance shall include, but shall not be limited to, commercial general liability insurance providing protection against third party claims arising from bodily and personal injury, including death resulting therefrom, and damage to property resulting from any act or occurrence arising out of Lessor's operations during the time of this Lease.
- 2) County: County is self-insured. County agrees to maintain in force throughout the term hereof, at County's sole cost and expense, commercial general liability insurance with a broad form general liability endorsement insuring against any liability to the public for any claim for damages due to death, bodily injury or property damage related to County's occupancy of the Premises, with single limit coverage of not less than \$1,000,000 per occurrence. Lessor shall be named as an additional insured in such policy. County shall provide Lessor with at least thirty (30) days' notice of cancellation of insurance.
- 9. Indemnification: Lessor shall defend, indemnify and hold harmless the County, its officers, and employees, from all claims, demands, damages, costs, expenses, judgments, attorney fees or liabilities, or other losses that may be asserted by any person or entity, and that arise out of or are made in connection with the acts or omissions relating to the performance by Lessor of an obligation or duty provided for or relating (directly or indirectly) to this Lease, or the Premises hereunder. The obligation to indemnify shall be effective and shall extend to all such claims and losses, in the entirety, except that this indemnity will not extend to any claims or losses arising out of the negligence or willful misconduct of the County, its officers, employees, and invitees.

County shall defend, indemnify and hold harmless the Lessor, its officers, and employees, from all claims, demands, damages, costs, expenses, judgments, attorney fees or liabilities, or other losses that may be asserted by any person or entity, and that arise out of or are

made in connection with the acts or omissions relating to the performance by County of an obligation or duty provided for or relating (directly or indirectly) to this Lease, or the Premises hereunder. The obligation to indemnify shall be effective and shall extend to all such claims and losses, in the entirety, except that this indemnity will not extend to any claims or losses arising out of the negligence or willful misconduct of the Lessor, its officers, employees, and invitees.

The preceding paragraphs apply to any theory of recovery relating to said act or omission by the parties or their agents, employees, or other independent contractors directly responsible to parties, including, but not limited to the following:

- A. Violation of statute, ordinance, or regulation.
- B. Professional malpractice.
- C. Willful, intentional or other wrongful acts, or failures to act.
- D. Negligence or recklessness.
- E. Furnishing of defective or dangerous products.
- F. Premises liability.
- G. Strict liability.
- H. Inverse Condemnation.
- I. Violation of civil rights.
- J. Violation of any federal or state statute, regulation, or ruling resulting in a determination by the Internal Revenue Service, California Franchise Tax Board or any other California public entity responsible for collecting payroll taxes, when the Lessor is not an independent contractor.

Nothing contained in the foregoing indemnity provisions shall be construed to require Lessor to indemnify County, against any responsibility or liability in contravention of Section 2782 of the Civil Code. It is the intent of the parties to provide the County the fullest indemnification, defense, and "hold harmless" rights allowed under the law. If any word(s) contained herein are deemed by a court to be in contravention of applicable law, said word(s) shall be severed from this Lease and the remaining language shall be given full force and effect.

- 10. <u>Janitorial Services</u>: County shall provide such janitorial service for the leased space occupied by the County as may be necessary to maintain the Premises in good and clean condition, and shall provide for no less than annual carpet cleaning.
- 11. Repairs and Maintenance: Lessor shall maintain and keep in good working condition at Lessor's own expense, the Premises including structural repairs to the interior and exterior thereof, and certain utility systems within the Premises, and make all repairs and

replacements thereto, including the replacement of all glass and all repairs occasioned by any acts, omissions, or negligence of Lessor, its agents, invitees, licensees, and contractors.

Lessor shall put the Premises, the building, and all common areas under the control of Lessor, into a condition fit for occupation by the commencement of this Lease, and shall thereafter repair all subsequent dilapidation thereof not caused by County or its employees or invitees which may render them untenantable. "Untenantable" within the context of this paragraph means that the Premises, or the building, or the areas under the control of Lessor, substantially lack any one or more of the following affirmative standard characteristics:

- A. Effective waterproofing and weather protection of the roof and exterior walls, including windows and doors not caused by an act of County or its employees or invitees.
- B. Plumbing facilities which conformed to applicable law in effect at the time of installation, maintained in good working order. County shall make all reasonable efforts to prevent the overflowing of toilets as a result of its usage, and shall be solely responsible for the repair of any plumbing systems caused by excessive or inappropriate use by County or its invitees.
- C. A water supply approved under applicable law, which is under the control of the County, capable of producing hot and cold running water, or a system which is under control of Lessor, which produces hot and cold running water, furnished to appropriate fixtures and connected to a sewage disposal system approved under applicable law.
- D. Heating, Ventilating, and Air Conditioning (HVAC) facilities, which conform to applicable law at the time of installation, maintained in good working order. Lessor shall provide and install new filters at least three (3) times per year or more frequently if recommended by the manufacturer of the HVAC system.
- E. Electrical lighting, which conformed to wiring and electrical law at the time of installation, maintained in good working order. County shall be responsible for light bulb replacement, as well as repair of any exposed interior systems, or damage to electrical systems caused by County's excessive or inappropriate use. It is also specifically understood that Lessor shall not be responsible for the repair or maintenance of any data or telecommunications wiring or cabling within the Premises, which shall be County's sole responsibility.

- F. Building exterior and Common Areas and all areas under control of Lessor kept in every part clean, sanitary, and free from all accumulations of debris, filth, rubbish, garbage, rodents and vermin.
 - G. Exterior floors, stairways, ramps, and railings maintained in good repair.

If Lessor fails or neglects to repair as set forth above, within thirty (30) days plus any additional period reasonably required by the circumstances after County's notice to Lessor of the need for repairs, County may repair the same and deduct the expenses of such repairs from the rent to the lawful extent without waiver; or County may, at its option, vacate the Premises, in which case County shall be discharged from further payment of rent, or performance of other conditions, and this Lease shall automatically terminate on the date that County vacates the Premises. For the purposes of this paragraph, if County acts to repair and deduct said costs on the 30th day following notice as above, County shall be presumed to have acted after a reasonable time; however, Lessor may affirmatively show the contrary to have been the case in any specific instance. No deductions are allowed County if the repairs necessary are as a result of acts or omissions by the County or any representative or employee.

Notwithstanding the foregoing, County shall reimburse Lessor for the cost to repair all damage caused to the interior of the building, to the extent resulting from the negligence or intentional misconduct of the County or of any of the County's agents, contractors, employees or invitees. Except as provided above, County, at its sole expense, shall maintain the non-structural aspects of the interior of the Building, all of County's personal property and signs, and all of County's improvements, alterations and fixtures, including interior flooring, floor coverings, provision of window coverings and maintenance of interior paint, in good order, repair and condition at all times during the Lease term. Under Lessor's supervision, subject to Lessor's prior approval, and within any reasonable period specified by Lessor, County shall, at County's sole expense and in accordance with the terms of this Lease, promptly and adequately repair all damage to the Premises and replace or repair all damaged or broken fixtures and appurtenances. At Lessor's option, or if County fails to make such repairs, Lessor may, but need not, make the repairs and replacements. On receipt of an invoice from Lessor, County shall pay Lessor Lessor's reasonable out-of-pocket costs incurred in connection with such repairs and replacements. County shall be liable for any damage to the Premises resulting from the acts or omissions of County or its authorized representatives.

- 12. <u>Surrender</u>: Notwithstanding the exception contained in Paragraph 22, County shall surrender the Premises unto Lessor on the last day of the term or sooner termination of this Lease in the same condition as when received, reasonable use and wear excepted.
- Improvements, Remodeling, Alterations and Additions: County shall not make, or suffer to be made, any alterations (whether major or minor) of the Premises, or any part thereof, without the written consent of Lessor first had and obtained. Lessor, at Lessor's sole cost and expense, shall provide improvements as shown in Schedule 1 of Exhibit "B". Lessor and County agree to cooperate with Lessor's architect in accommodating all plans and specifications. Lessor shall provide data and phone cabling to the same specifications as installed at 406 Spring Street at Lessor's cost, but in the event that the County increases the cabling requirements (including the outlets/termination points for the cabling) beyond those shown in Schedule 1 of Exhibit "B", County shall be responsible for any increased expense. In addition, the cost of telephone and computer equipment other than the conduit pulls and cabling shall be borne by County.

The construction of the Building on behalf of the County of San Luis Obispo shall comply with current prevailing wage laws. Lessor shall be solely liable for said compliance and shall defend and indemnify County against any claim to the contrary. Lessor shall, upon County's request, provide proof of prevailing wage compliance, by providing County copies of all certified payroll records for every pay period during the course of construction of the Building. In the event that a claim is filed by any employee of Lessor or Lessor's contractors or subcontractors who provided labor for construction on the Building, Lessor is responsible and required to pay for any and all associated County staff costs, legal expenses, penalties, fines, and any unpaid prevailing wages related to the claim, if it is determined by a State agency or court that Lessor was negligent and did not pay prevailing wages to the claimant as required by the County and the State of California.

- 14. <u>Landscaping / Grounds Maintenance</u>: Lessor agrees to maintain, at Lessor's sole cost and expense, all exterior landscaping, grounds, irrigation systems, and to provide parking lot repair and maintenance.
- 15. <u>Parking</u>: County shall have the right to utilize all parking available on site on a first come first serve basis. In addition, Lessor shall provide twenty-three (23) additional parking spaces

to be designated for County's use as a result of this Lease. Cumulatively, County shall be entitled to forty-six (46) designated parking spaces for County's use pursuant to the 2011 Lease and this Lease.

Assignment and Default: County shall not assign this Lease, nor sublet the whole or any part of the Premises, without the prior written consent of Lessor. Any attempt to do so shall be void, shall confer no rights on any third party, and shall be good cause for cancellation of this Lease by Lessor at Lessor's option. This Lease shall not be assignable by operation of the law.

The occurrence of any of the following shall constitute a default by County:

- (a) Failure to pay rent or any sum payable under this Lease when due, if the failure continues for five (5) days after notice has been given County, provided that if County has failed two (2) or more times in any twelve months to pay any rent or other sum when due and notice of this default has been given by Lessor in each instance, no notice shall be required after this until the expiration of twelve months in which all rental or other sums payable under this Lease have been paid on or before the date due.
- (b) Failure to perform any other provision of this Lease if the failure to perform is not cured within twenty (20) days after notice has been given to County, or, if the default is curable and would require more than twenty days to remedy, beyond the time reasonably necessary for cure; provided, however, that if County has defaulted in the performance of the same obligation two or more times in twelve months and notice of the default has been given by Lessor in each instance, no notice shall be required after this until expiration of twelve months without any default by County.
- (c) The bankruptcy or insolvency of County, a transfer by County in fraud of creditors, an assignment by County for the benefit of creditors, or the commencement of proceedings of any kind by or against County under the Federal Bankruptcy Act or under any other insolvency, bankruptcy, or reorganization act unless County is discharged from voluntary proceedings within ninety days.

Notices given under this paragraph shall specify the alleged default and applicable Lease provisions, and shall demand that County perform the provisions of this Lease or pay the rent that is in arrears, as the case may be, within the applicable period of time, or quit the Premises.

If Lessee defaults under this Lease, Lessor shall have all of the rights and remedies of a landlord provided by Civil Code § 1951.2 and 1951.4, in addition to any other rights and remedies.

Curing County's Default

Should County violate any of the terms or conditions hereof, Lessor may, sixty (60) days after giving written notice of said violation to the County, terminate this Lease and re-enter the Premises and remove all persons therefrom.

- 17. <u>Right of Entry</u>: Lessor shall have the right with reasonable notice and at reasonable times, to inspect the Premises and to perform maintenance, repairs and improvements to the Premises or the building of which the Premises is a part.
- 18. <u>Signs</u>: County at its cost shall have the right to place, construct and maintain a sign on the Premises at a location approved by Lessor, advertising its business on the Premises.

Any sign that County has the right to place, construct, and maintain shall comply with all laws, and County shall obtain any approval required by such laws. Lessor makes no representation with respect to County's ability to obtain such approval.

- 19. **<u>Destruction of Premises</u>**: If during the term of this Lease, the Premises are injured or destroyed by fire or other cause, so as to render the Premises, in County's judgment, unfit for occupancy, or so as to substantially prevent or impair, in County's judgment, County's use of the Premises for intended purposes, then this Lease shall terminate at the option of either party hereto; provided that if the Premises can be repaired to the satisfaction of County with insurance proceeds available to Lessor under the laws and regulations of any governmental agency thereunto applicable, using the same type of construction, within thirty (30) days or such reasonable time per circumstance up to one hundred twenty (120) days from date of occurrence with abatement of rent thereof, then Lessor may (but shall not be obligated to) forthwith repair the same, in which event such injury or destruction shall in no way annul or void this Lease. The County shall be entitled to a proportionate reduction in the rent herein reserved corresponding to the time during which, and to the portion of the Premises of which, County shall be deprived of possession. In the event Lessor elects not to make such repairs, or in the event repairs cannot be made to the satisfaction of the County, using the same type of construction, within thirty (30) days under the laws and regulations of any governmental agency thereunto applicable, the Lease shall then terminate at the option of either party hereto. County has no right of termination if any destruction was caused by their acts or omission.
- **20.** <u>Condemnation</u>: If the whole of the Premises shall be taken or condemned by any competent authority under power of eminent domain for a public or a quasi-public use or purpose,

then the leasehold estate hereby created shall cease and terminate as of the date actual physical possession of the leased Premises is taken by the condemnor or the date County is required to vacate the Premises in order to continue its business operations with minimum interruption; whichever is earlier. Compensation and damages awarded for such total taking shall belong to Lessor, except that County shall be entitled to receive any award for the taking of or damage to County's equipment, fixtures, or any improvements made by County to the leased Premises for which County would have had, but for the condemnation, the right to remove on expiration or sooner termination of this Lease. Further, County shall be entitled to that portion of the award granted for disruption to business, business relocation costs, and similar awards to offset County's Lease with appropriate offsets on rents. In the event that there shall be partial taking of the leased Premises during the Lease term under the power of eminent domain, this Lease shall terminate as to the portion of the leased Premises so taken on the date when actual physical possession of said portion is taken by the condemnor, but this Lease shall at County's option, continue in force and effect as to the remainder of the leased Premises, provided, however, that the rental payable by County for the balance of the term where County elects to continue this Lease shall be abated in the proportion that the square footage of floor area of the leased Premises taken bears to the total floor space of the leased Premises at the time of such taking. In the event of such partial taking, compensation and damages for such partial taking shall belong to Lessor, except that County shall be entitled to receive any award for the taking of, or damage to, County's equipment, fixtures, and any improvements made by County to the leased Premises which County would have had, but for the condemnation, the right to remove on expiration of sooner termination of this Lease, and, in the event that this Lease is continued as to the portion of the leased Premises not taken in a suitable condition for the continuance of County's tenancy. Further, County shall be entitled to that portion of the award granted for disruption to business, business relocation costs, and similar awards to offset County's Lease with appropriate offsets on rents.

21. Environmental Matters / Covenants Regarding Hazardous Materials: Lessor and County shall at all times and in all respects comply with all federal, state and local laws, ordinances and regulations ("Hazardous Materials Laws") relating to industrial hygiene, environmental protection or the use, analysis, generation, manufacture, storage, disposal or transportation of any oil, flammable explosives, asbestos, urea formaldehyde, radioactive materials or waste, or other

hazardous, toxic, contaminated or polluting materials, substances or wastes, including, without limitation, any "hazardous substances," "hazardous wastes," "hazardous materials" or "toxic substances" under such laws, ordinance or regulations (collectively, "Hazardous Materials").

Lessor and County shall further indemnify, defend, protect, and hold each other free and harmless from and against any and all claims, liabilities, penalties, forfeitures, losses or expenses (including attorneys' fees) or death of or injury to any person or damage to any property whatsoever, arising from or caused in whole or in part, directly or indirectly, by:

- (A) the presence in, on, under or about the Premises or discharge in or from the Premises of any Hazardous Materials or Lessor's use, analysis, storage, transportation, disposal, release, threatened release, discharge or generation of Hazardous Materials to, in, on, under, about or from the Premises, or
- (B) Lessor's or County's failure to comply with any Hazardous Materials Law. Lessor's and County's obligations hereunder shall include, without limitation, and whether foreseeable or unforeseeable, all costs of any required or necessary repair, cleanup or detoxification or decontamination of the Premises, and the preparation and implementation of any closure, remedial action or other required plans in connection therewith, and shall survive the expiration or earlier termination of the term of this Lease. For purposes of the release and indemnity provisions hereof, any acts or omissions of Lessor or County, or by employees, agents, assignees, contractors or subcontractors of Lessor or County or others acting for or on behalf of Lessor (whether or not they are negligent, intentional, willful or unlawful) shall be strictly attributable to Lessor or County.

Notwithstanding anything in the Lease to the contrary, Lessor represents that, to the best of its knowledge and without requirement of further investigation by Lessor, there are and will be no asbestos-containing materials ("ACMs") present in the Premises at the time the Premises are delivered for occupancy by County. If any ACMs are discovered in the Premises during the Lease term which are required by law to be remediated and/or removed, and if such ACMs were not introduced into the Premises by County, its agents, employees or contractors, then Lessor shall cause such remediation or removal to be performed at Lessor's sole cost and expense.

Holding Over: In the event that County shall hold over after expiration of the Lease term or any extension or renewal thereof, with the consent, express or implied, of Lessor, such holding over shall be deemed merely a tenancy from month-to-month on the terms, covenants, and

conditions, so far as applicable, and subject to the same exceptions and reservations, as herein contained, until such tenancy is terminated in manner prescribed by law. Notwithstanding the foregoing, should County desire to extend this Lease beyond the term and extensions contained herein, and negotiations between County and Lessor fail within the last 60 days of this Lease, County shall have the right to holdover for 60 days beyond the term or any extensions of this Lease.

23. <u>Notices</u>: Any notices, demands, or communication, under or in connection with this Lease, may be served upon County by personal service, or by mailing the same by certified mail in the United States Post Office, postage prepaid, and directed to County at:

County of San Luis Obispo General Services Agency 1087 Santa Rosa San Luis Obispo, CA 93408 Attention: Property Manager

and may likewise be served on Lessor at:

Jim Saunders Debra Saunders 7310 North River Road Paso Robles, CA 93446

Either County or Lessor may change such address by notifying the other party in writing as to such new address as Lessor or County may desire used and which address shall continue as the address until further written notice.

- **Successors:** The agreements herein made shall apply to, bind and inure to the benefit of the successors and assigns of Lessor, and the successors and permitted assigns of County.
- 25. <u>Provisions Deemed Covenants and Conditions</u>: The parties hereto agree that all the provisions hereof are to be construed as covenants and conditions as though the words importing such covenants and conditions are used in each instance, and that all of the provisions hereof shall bind and inure to the benefit of the parties hereto and their respective heirs, legal representative, successors and assigns.
- **Estoppel:** Each party, within ten (10) days after notice from the other party, shall execute and deliver to the other party, in recordable form, a certificate stating that this Lease is unmodified and in full force and effect, or in full force and effect as modified, and stating the

modifications. The certificate also shall state the amount of monthly rent, the dates to which the rent has been paid in advance, and the amount of any prepaid rent.

- 27. <u>Binding Effect Law</u>: Subject to any provisions hereof restricting assignment or subletting by County and subject to the provisions of Paragraphs 16, 24 and 25, this Lease shall bind the parties, their personal representatives, successors and assigns. This Lease shall be governed by the laws of the State where the Premises are located and any litigation concerning this Lease between the parties hereto shall be initiated in the County of San Luis Obispo.
- 28. Prior Agreements: This Lease contains all agreements of the parties with respect to any matter mentioned herein. No prior or contemporaneous agreement or understanding pertaining to any such matter shall be effective. This Lease may be modified in writing only signed by the parties in interest at the time of the modification. Except as otherwise stated in this Lease, County hereby acknowledges that neither the broker (if applicable) acting as agent for Lessor nor any cooperating agent on this transaction nor the Lessor or any employee or agents of any said persons has made any oral or written warranties or representations to County relative to the condition or use by County of the Premises.
- 29. Subordination Agreement: The County's rights under this Lease shall be subordinate to any ground lease or mortgage, deed of trust or any other hypothecation or security entered after or placed upon the Premises and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements and extensions thereof, provided, however, that in the event any mortgage or deed of trust to which this Lease is subordinate is foreclosed or a deed in lieu of foreclosure is given to the mortgagee or beneficiary, or in the event any ground lease to which this Lease is subordinate is terminated, this Lease shall not be barred, terminated, cut off, or foreclosed. Neither shall the rights and possession of County under this Lease be disturbed, if County is not then in default in the payment of rental and other sums due under this Lease or otherwise in default under the terms of this Lease, and if County attorns to the purchaser, grantee, or ground lessor or, if requested, enters into a new lease for the balance of the term of this Lease on the same terms and provisions contained in this Lease. County's covenant under this Section to subordinate this Lease to any ground lease, mortgage, deed of trust, or other hypothecation later executed is conditioned on each senior instrument containing the commitments specified in this subsection. If any mortgage, trustee, or ground lessor shall elect to have this Lease prior to the lien

on its mortgage, deed of trust or ground lease, and shall give written notice thereof to County, this Lease shall be deemed prior to such mortgage, deed of trust or ground lease, whether this Lease is dated prior or subsequent to the date of said mortgage, deed of trust or ground lease or the date of recording thereof.

County agrees to and shall attorn to any purchaser in good faith and for value or any successor in interest of the Lessor herein.

- 30. <u>Waivers</u>: No waiver by Lessor of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by County of the same or any other provision. Lessor's consent to or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to or approval of any subsequent act by County. The acceptance of rent hereunder by Lessor shall not be a waiver of any preceding breach by County of any provisions hereof, other than the failure of County to pay the particular rent so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rent.
- 31. <u>Americans With Disabilities Act</u>: Lessee shall be responsible for ADA compliance on any improvements constructed by Lessee inside the Premises. Lessor shall be responsible for alterations providing ingress and egress to the Premises and common area (including parking area) necessary to comply with the Americans With Disabilities Act of 1990, 42 U.S.C. sect. 12101 et seq., as currently enacted and in accordance with applicable laws.
- **Smoking:** Entire Premises occupied by County and County clients shall be a non-smoking building and no smoking shall be allowed in or on the Premises, including but not limited to all balconies, courtyards, walkways and parking areas leased by the County.
- 33. <u>Severability</u>: The invalidity of any provision of this Lease shall not affect the validity, enforceability of any other provision of this Lease.
- 34. <u>Late Charge</u>: County acknowledges that late payment by County to Lessor of rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of such costs being extremely difficult and impracticable to fix. Such costs include, without limitation, processing and accounting charges, and late charges that may be imposed on Lessor by the terms of any encumbrance and note secured by any encumbrance covering the Premises. Therefore, if any installment of rent due from County is not received by Lessor on the date due or within five (5) days thereafter, County shall pay to Lessor an additional sum of ten (10) percent of the overdue rent as a

late charge. County shall pay the late charge as additional rent with the next installment of rent. The parties agree that this late charge represents a fair and reasonable estimate of the costs that Lessor will incur by reason of late payment by County. Acceptance of any late charge shall not constitute a waiver of County's default with respect to the overdue amount, or prevent Lessor from exercising any of the other rights and remedies available to Lessor.

- 25. Conditions of Lease: This Lease is conditioned upon the simultaneous execution by the parties of a First Lease Amendment to the 2011 Lease, which will extend the term of that Lease to be identical to the term of this Lease. In addition, while Lessor shall utilize Lessor's best efforts to obtain a building permit from the City of Paso Robles for the construction of the Premises hereunder, if said building permit has not been issued by the close of business on July 1, 2015, either party hereto may elect to terminate this Lease, without further obligation, by delivery of notice to the other by no later than July 1, 2015. Upon delivery of such notice, this Lease shall be deemed terminated effective immediately, as shall the First Lease Amendment to the 2011 Lease.
- **36.** <u>Applicable Law:</u> This Lease is subject to all applicable rules, regulations, laws and ordinances regarding appropriation of funds for public entities.
- 37. Entire Agreement and Modifications: This Lease embodies the whole Lease between the parties hereto as it pertains to the subject real property and there are no promised terms, conditions, or obligations referring to the subject matter hereof, other than as contained herein. Any alterations, changes or modifications to this Lease must be in writing and executed by both Lessor and County.

IN WITNESS WHEREOF, the parties h	have executed this Lease this day of
, 2014.	
" <u>County</u> " COUNTY OF SAN LUIS OBISPO	" <u>Lessor</u> "
By:	
Chairperson of the Board of Supervisors	JAMES SAUNDERS
Approved by the Board of Supervisors this	1
, day of, 2014	Dillo Dunder
ATTEST:	DEBRA SAUNDERS
Clerk of the Board of Supervisors	
APPROVED AS TO FORM AND LEGAL EFFECT:	
RITA L. NEAL County Counsel	
By: Chief Deputy County Counsel	
Date: 10/23/14	

 $T.\clients\pmdc\4^{th}\&Spring\CountyOfSlo\406SpringStreet\\EXPANSION-CLEAN101414\#3$

Exhibit A
Site Plan

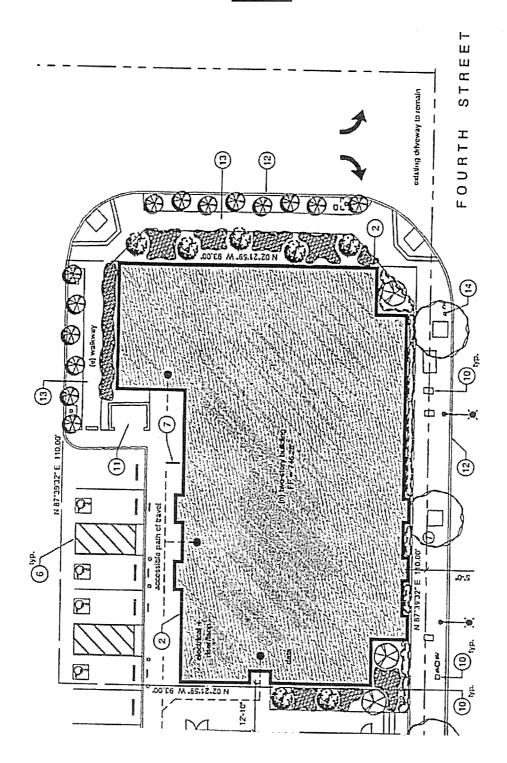


Exhibit B

Improvements

WORK LETTER

THIS WORK LE	TTER ("Work Letter") constitutes part of the Build-to-Suit Lease ("Lease")	
dated as of	, 2014, between County of San Luis Obispo ("County"), and	
JAMES SAUNDERS and DEBRA SAUNDERS, dba J&D Properties ("Lessor"). The terms of this		
Work Letter are incorporated in the Lease for all purposes.		

Section 1. Defined Terms

As used in this Work Letter, the following capitalized terms have the following meanings:

<u>General Contractor</u>: Stalwork Construction & Design, Inc. ("Stalwork") or such other general contractor which may be designated by Lessor.

Improvements: The Building, parking areas, landscaping, and other improvements, more particularly shown on the conceptual plans (as modified) prepared by Stalwork, and approved by County, that Lessor is to construct on the Real Property pursuant to the Lease and this Work Letter. The Lessor shall deliver the Building in a usable condition, with off-site improvements, HVAC, sprinkler systems, floor coverings, elevator and the following number of rooms within the Building, all of similar quality construction as the Improvements leased to County in the 2001 Lease:

Room(s), Name, and Label	Number of Rooms	Description/Dimensions
Conference Room 104	1	23'-3" x 35'-6"
Conference Room 113	1	17'-6" x 34'-1"
Visitation Rooms 111, 112	2	11'-9" x 17'-6", 26'-0" x 17'-6"
Supervisor Offices 204, 205, 206	3	11'-6" x 16'-0", 11'-6" x 12'-7", 11'-6" x 14'-0"
Cubicles	18	6'x8'
Hotels	4	5'x6'
Public Restrooms 108	1	1 stall, 2 urinals
Public Restrooms 107	1	3 stalls
Staff Restrooms 210	1	1 stall, 2 urinals
Staff Restrooms 209	1	3 stalls
Break Room 114	1	First Floor
Break Room 208	1	Second Floor
Additional Rooms		
Room(s), Name, and Label	Number of Rooms	Description/Dimensions
Conference Room 103	1	26'-0" x 17'-6"
Visitation Rooms 110	1	11'-9" x 10'-0"
Mail Room 116	1	11'-6" x 6'-6"

Janitorial 109	1	11'-9" x 5'-8"	
Office 212	1	11'-6" x 14'-0"	
Office 215	1	9'-3" x 10'-5"	
Storage 213	1	11'-6" x 17'-6"	
Conference Room 202	1	18'-5" x 23'-6"	

Lessor's Representative: James R. Saunders

<u>Punch List Work</u>: Minor details of construction or decoration or mechanical adjustments that do not materially interfere with Lessor's delivery of the Premises in its agreed upon finished condition.

<u>Ready for Delivery</u>: When Lessor's architect has furnished Lessor with a certificate that the work to be done by Lessor has been substantially completed except for Punch List Work.

County Delay: Any of the following:

- (a) any delay resulting from County's failure to approve any matters requiring approval in a timely manner;
- (b) any delay resulting from Change Orders, including any delay resulting from the need to revise any drawings as a result of any Change Order; or
- (c) any delay of any other kind or nature in the completion of the Improvements caused by County (or County's agents or employees) or resulting from the performance of County's Work by anyone other than Lessor or Lessor's General Contractor.

<u>County's Representative</u>: The San Luis Obispo County General Services Agency Director ("Director") or anyone designated by the Director in writing during the term of the construction project.

<u>Unavoidable Delays</u>: Delays due to acts of God, acts of public agencies, labor disputes, strikes, fires, freight embargoes, rainy and stormy weather, inability to obtain supplies, materials, fuels, or permits, delays of contractors or subcontractors, or other causes or contingencies beyond the reasonable control of Lessor.

Work Schedule: Parties agree that upon execution of this Lease, Lessor shall authorize the completion of working drawings for the construction of the Improvements, and shall diligently apply for and obtain necessary permits and approvals and construct and complete the Improvements, as defined herein, utilizing its best efforts to deliver the Improvements to County within nine (9) months after the City of Paso Robles issues a Building Permit for the Project, as may be extended by any County delay. Lessor shall consult with County from time to time concerning the scheduling and progress of each portion of Lessor's Work, so as to keep County informed of the progress and estimated completion date for any such portion of Lessor's Work.

Exhibit B Page 2 of 11 County's Representative shall have the right at all reasonable times to enter upon the Premises for the purpose of inspecting the Improvements to verify conformity to the Working Plans.

Capitalized terms not otherwise defined in this Work Letter will have the definitions set forth in the Lease.

Section 2. Representatives

County has designated the County's Representative as the sole representative with respect to the matters set forth in this Work Letter with full authority and responsibility to act on behalf of the County as required in this Work Letter. Lessor has designated the Lessor's Representative as the sole representative with respect to the matters set forth in this Work Letter with full authority and responsibility to act on behalf of Lessor as required in this Work Letter. Either party may change the representative under this Work Letter at any time by giving ten (10) days written notice to the other party.

Section 3. Procedure and Costs

Lessor and County will comply with the procedure outlined in this Section in preparing, delivering, and approving matters relating to the Improvements to be constructed by Lessor.

(a) Working Drawings. The parties have reached agreement on tentative final working plans and specifications for the construction of the Improvements, consisting of 61 pages prepared by Stalwork Construction & Design, Inc., dated August 25, 2014 ("Tentative Final Working Plans"). Attached to this Work Letter as Schedule 1 are four representative pages from said Plans, but for purposes of this Work Letter, the Tentative Final Working Plans consist of the entire 61 page set, a copy of which is in the possession of both parties. Again, these Tentative Final Working Plans have previously been approved by Lessor and County, and include specifications and working drawings for the construction of the Improvements that will include structural, sprinkler systems, elevator, mechanical and electrical working drawings, and final architectural drawings for the Improvements ("Lessor's Work"). Upon issuance of a building permit from the City of Paso Robles, Lessor shall also deliver to County the Final Working Drawings approved by the City ("Final Working Drawings") and an estimated work schedule ("Work Schedule") for the completion of both the Improvements and such portions of County's work as may be completed by Lessor or Lessor's general contractor. No later than ten (10) days after receipt thereof (or the following Monday at 5 p.m. if the tenth [10th] day falls on a Saturday or Sunday, and excluding any holidays in the calculation of the ten [10] days), County must either approve the Final Working Drawings and Work Schedule, or set forth in writing with particularity any changes necessary to bring the Final Working Drawings into substantial conformity with the Tentative Final Working Plans or to modify the Work Schedule. However, County will not unreasonably withhold approval, or object to any logical development or refinement of the Tentative Final Working Plans or any changes necessitated by applicable law. Failure of County to deliver to Lessor written notice of disapproval and the required changes on or before the ten (10)-day timeline will constitute and be deemed approval of the Final Working Drawings and Work Schedule. Upon approval, actual or deemed, of the Final Working Drawings by Lessor and County, the Final Working Drawings will be referred to as the "Approved Working Drawings."

> Exhibit B Page 3 of 11

- (b) <u>General Contractor</u>. Lessor intends to execute a construction contract with General Contractor relating to construction of the Improvements.
- (c) <u>Construction of Improvements</u>. Lessor has applied for and will use reasonable efforts to obtain the necessary permits and approvals to allow construction of the Improvements. Lessor will construct and complete the Improvements substantially in accordance with the Approved Working Drawings.
- (d) <u>Changes</u>. If County desires any changes, alterations, or additions to the Tentative Final Working Drawings, County must submit a detailed written request to Lessor ("Change Order"). If construction of the portion of the Improvements County seeks to change has not commenced and if the requested changes are reasonable and practical and generally consistent with the Tentative Final Working Drawings, Lessor will seek to comply with the Change Order. However, County is obligated to reimburse Lessor for all increases, costs incurred by Lessor as a result of changes in accordance with the procedure set forth below, and additional expenses incurred by Lessor as a result of County Delays, including, without limitation, loss of rents, architecture fees, increases in construction costs, and other proper charges caused by delay. Under no circumstance will Lessor be required to undertake any change, alteration, or addition to the Tentative Final Working Drawings prior to the execution of a Change Order by County's Representative. If any additional plans, drawings of specifications, or modifications of those items are required as a result of a Change Order, they will be prepared and approved in the manner set forth in Section 3(a).

Section 4. Payment

All amounts payable by County to Lessor pursuant to this Work Letter will be paid by County within thirty (30) calendar days after the rendering to County of a bill by Lessor. County's failure to pay in the thirty (30)-day time period will constitute an Event of Default under the Lease, and all amounts will then bear interest from the date due until paid at the Applicable Interest Rate.

Section 5. Ready for Delivery

When the Improvements are Ready for Delivery, Lessor will prepare and deliver in duplicate to County a certificate ("Completion Certificate") certifying that the Improvements are substantially complete in accordance with the Approved Working Drawings and the date of that completion. The Completion Certificate must be certified by Lessor's architect. Upon receipt by County of the Completion Certificate, the Improvements will be deemed delivered to County for all purposes of the Lease, including, without limitation, commencement of Rent and other obligations. However, if Lessor is delayed in substantially completing any of the work for which Lessor is responsible as a result of any County Delay, the Term and County's obligation to pay Rent will be accelerated by the number of days of the County Delays, and County must reimburse Lessor for any additional costs and expenses incurred by Lessor as a result of the County Delays. Lessor will diligently complete any Punch List Work. In the event of any dispute as to substantial completion of work performed or required to be performed by Lessor, the certificate of Lessor's architect will be conclusive. Substantial completion will have occurred notwithstanding County's

Exhibit B
Page 4 of 11

submission of a punch list to Lessor, which County must submit, within thirty (30) days after the Commencement Date.

Section 6. County's Work

Upon (or before) receipt of the Completion Certificate, County will diligently proceed to construct and install in the Improvements the materials and improvements that are more particularly described on the Approved Working Drawings as being the responsibility of County or "Tenant" (the work to be completed by County is referred to herein as "County's Work", which is principally the installation of furniture, fixtures and equipment), substantially in accordance with the Approved Working Drawings. All of County's Work will be performed and in all respects be subject to the terms and conditions of the Lease (to the extent not inconsistent with this Work Letter), and will also be subject to the following conditions:

- (a) Costs and Expenses of County's Work. Subject to the provisions of Section 6(b), above, County will promptly pay all costs and expenses arising out of the performance of County's Work (including the costs of permits) and will furnish Lessor with evidence of payment on request. County will provide Lessor with ten (10) days prior written notice before commencing any County Work by any contractor other than Lessor or Lessor's contractor. In the event any of County's Work is performed by other contractors, then on completion of County's Work, County will deliver to Lessor a release and waiver of lien executed by each contractor, subcontractor, and material supplier concerned with County's Work. If any lien is filed against the Premises or against County's leasehold interest, County will obtain, within ten (10) days after the filing, the release or discharge of that lien. If County fails to do so, Lessor may obtain the release or discharge of the lien and County must indemnify Lessor for the costs, including reasonable attorney fees, together with interest at the Applicable Interest Rate from the date of demand.
- (b) <u>Indemnification</u>. County will indemnify, defend (with counsel satisfactory to Lessor), and hold Lessor harmless from all suits, claims, actions, loss, cost, or expense (including claims for workers' compensation, attorney fees, and costs) based on personal injury or property damaged or contract claims (including, but not limited to, claims for breach of warranty) arising from the performance of County's Work by anyone other than Lessor or Lessor's contractor. County will repair or replace (or, at Lessor's election, reimburse Lessor for the cost of repairing or replacing) any portion of the Improvements or item of Lessor's equipment or any of Lessor's real or personal property damaged, lost, or destroyed in the performance of County's Work by anyone other than Lessor or Lessor's contractor.
- (c) <u>Insurance</u>. County's contractors will obtain and provide Lessor with certificates evidencing Worker's Compensation, public liability, and property damage insurance in amounts and forms and with companies satisfactory to Lessor.
- (d) <u>Rules and Regulations</u>. County and County's contractors will comply with any other rules, regulations, or reasonable requirements that Lessor or General Contractor may impose. County's agreement with County's contractors will require each contractor to provide daily cleanup of the construction area to the extent that cleanup is necessitated by the performance of the County's Work.

Exhibit B Page 5 of 11 (e) <u>Condition of County's Work</u>. All work performed by County's contractors will be performed in a professional and workmanlike manner, using new high quality materials, all in accordance with construction industry standards. Such work will be free from defects in design, materials, and workmanship, and will be completed in strict compliance with the Approved Working Drawings.

Section 7. Effect of Delays

Any delay in any deadlines established by Lessor for the completion of the work ("Work Deadlines"), including any item that must be redone due to County's disapproval, will automatically delay all subsequent deadlines by the same amount of time. To the extent that any delay has been caused by County, the Commencement Date for all purposes under the Lease will be the date the Improvements would have been Ready for Delivery absent the County Delays.

Section 8. No Agency

Nothing contained in this Letter will make or constitute County as the agent of Lessor.

Section 9. Miscellaneous

All references in this Letter to a "number of days" means to calendar days. In all instances where County's approval is required, if no written notice of disapproval is given within the applicable time period, at the end of that period County will be deemed to have given approval and the next succeeding time period will commence. If any item requiring approval is disapproved by County in a timely manner, the procedure for preparation of that item and approval will be repeated.

/	/
1	/
/	/
1	,

"County" COUNTY OF SAN LUIS OBISPO	"Lessor"
By:Chairperson of the Board of Supervisors	JAMES SAUNDERS
Approved by the Board of Supervisors this	
day of, 2014	DEBRA SAUNDERS
ATTEST:	
Clerk of the Board of Supervisors	
APPROVED AS TO FORM AND LEGAL EFFECT:	•
RITA L. NEAL	
County Counsel	
By: Chief Deputy County Counsel	

IN WITNESS WHEREOF, the parties have executed this Work Letter as of the date of the

Lease.

Schedule 1 to Exhibit B Tentative Final Working Plans

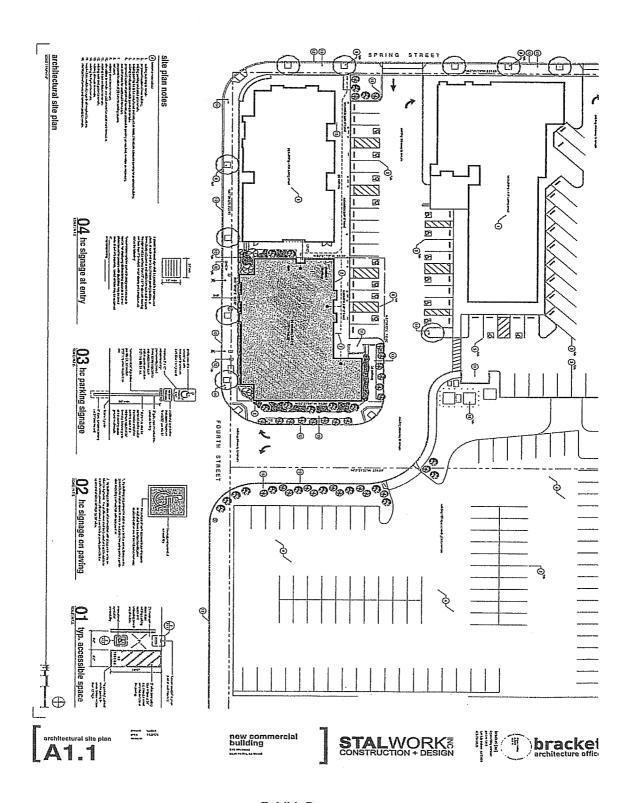


Exhibit B Page 8 of 11

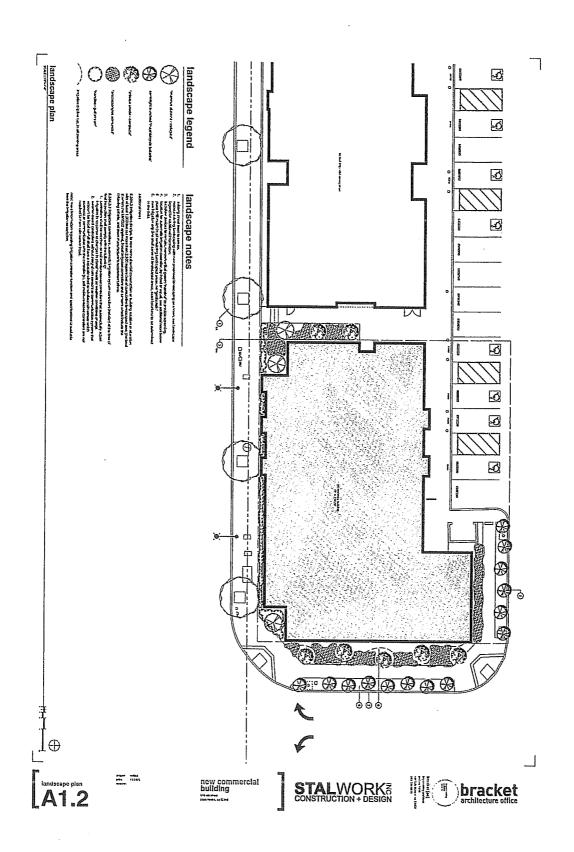


Exhibit B Page 9 of 11

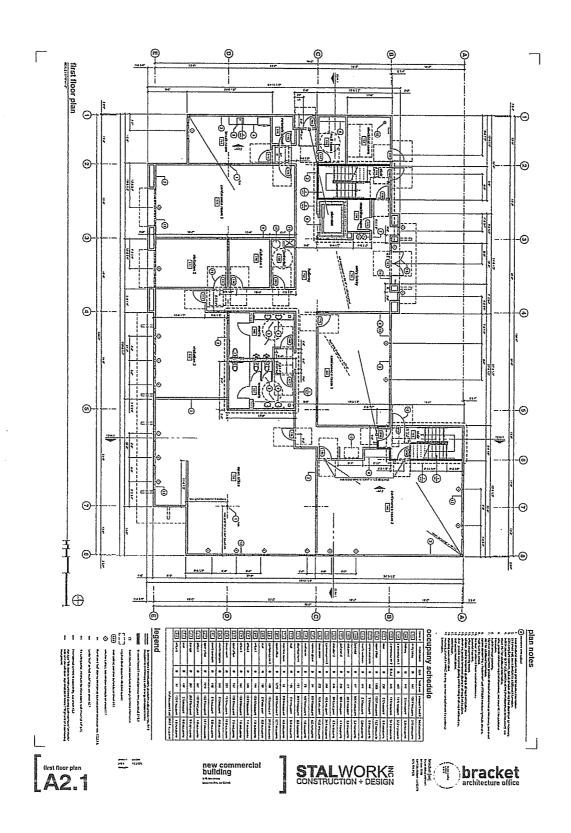


Exhibit B Page 10 of 11

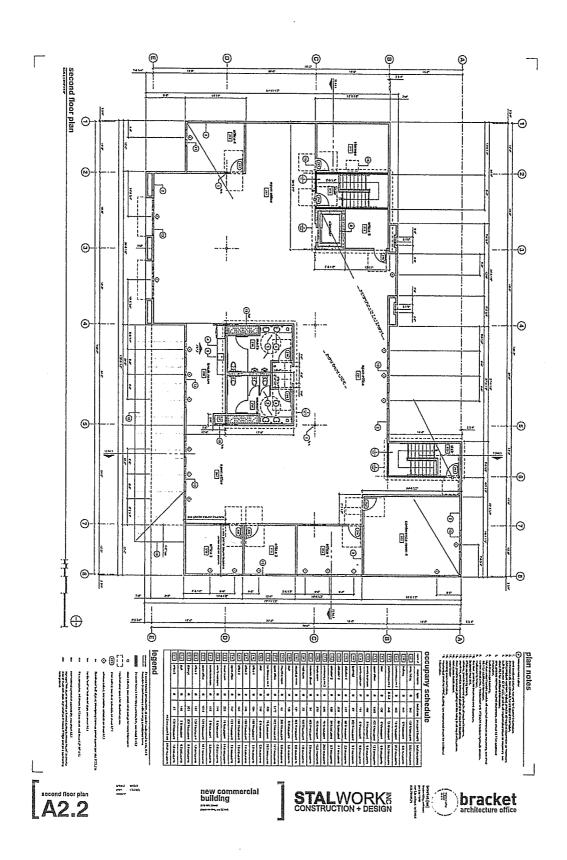


Exhibit B Page 11 of 11

Exhibit C Commencement Date Memorandum

James Saunders 7310 North River Road

To:

Paso Robles, CA 93446	
Dear Jim:	
Saunders and Debra Saunders dba J&D Properti	000 rentable square feet of the building located at 810 - accordance with a Lease dated, 20,
(1) The Lease commenced on("Commencement Date");
(2) The Premises contain rentable	square feet of space; and
(3) Tenant has accepted and is currently in pos	session of the Premises.
20	Date Memorandum is executed on,
"Tenant"	"Landlord"
COUNTY OF SAN LUIS OBISPO	
By: General Services Director	JAMES SAUNDERS
day of, 20	DEBRA SAUNDERS
APPROVED AS TO FORM AND LEGAL EFFECT: RITA L. NEAL County Counsel	
By:Chief Deputy County Counsel	

Exhibit C